

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 30, 2018

Sam Wade
Chief, Transportation Fuels Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**Re: California Public Utilities Commission (CPUC) Comments on
Proposed Second 15-day Modifications to the Low Carbon Fuel Standard (LCFS)
Regulation**

Dear Mr. Wade,

The CPUC supports California Air Resources Board's (CARB) goals to streamline alternative vehicle funding and programs so that they are successful for customers and largely is in favor of the proposed second 15-day modifications to the LCFS regulation. In this letter we also note one concern and request clarification in two areas related to the Smart Charging and Point-of-Purchase (POP) Rebate Proposal.

We also appreciate CARB's commitment to interagency coordination. CPUC representatives have attended stakeholder meetings, engaged in multiple conversations with CARB staff throughout the regulatory process and provided informal feedback on the proposed regulation the past several months. Our feedback has focused on identifying any areas of the POP Proposal that may conflict with current CPUC decisions and suggesting modifications to facilitate the CPUC's smooth implementation of the new CARB rules to bring investor-owned utility (IOU) LCFS rebate programs into alignment with the new rules. As a result of the mutual coordination, we are pleased with the modifications that CARB staff made to the regulation addressing our comments.

In particular, we appreciate that CARB has considered and incorporated feedback in regard to tracking and retiring any Renewable Energy Credits (RECs) that are used for LCFS credit generation in the Western Renewable Energy Generation Information System (WREGIS). WREGIS is used by electric retail sellers to demonstrate compliance with the Renewables Portfolio Standard. Consequently, using a single system to track the use of RECs for compliance with another State program will maintain the integrity of clean energy programs and prevent double counting of the renewable and environmental attributes associated with eligible renewable energy.

That said, we are still concerned that the minimum percentage contribution of base credits for residential electric vehicle charging (or net base credit proceeds) by publicly-owned utilities (POUs) is too low (§ 95483 (c)(1)). Our understanding is that the POUs' percentages won't be

phased up until 2023, and even by then, will not come into parity with the investor-owned utilities' (IOUs) minimum contribution requirements. We appreciate ARB's recognition of this disparity and any efforts you can still do to reduce it.

Additionally, we request CARB clarify two aspects of the proposed LCFS regulation:

1. Smart Charging – We request clarification that by requiring that residences enroll in a Time-of-Use (TOU) rate plan to create incremental LCFS credits for Smart Charging, that the customer must be enrolled in an electric vehicle specific TOU rate if offered by the load serving entity serving the residence, or another TOU rate if not offered.
2. Statewide Point of Purchase Rebate – We request clarification that CARB's modified regulation does not limit the distribution of an IOU's LCFS credit proceeds (or credits) to customers in its own service territory. Specifically, we request that CARB make clear – if this is its intent – that the new regulation does not preclude the statewide program administrator from distributing an IOU's LCFS proceeds (or credits) outside the IOU's service territory.

Smart Charging

The modified LCFS regulation, in § 95483(c)(B)(1), specifically requires that to receive incremental LCFS credits for smart charging, the residence must be enrolled in a TOU rate plan, if offered by the load serving entity serving the residence. We support this provision because it aligns state incentives for electric vehicle charging. The CPUC has approved a number of TOU rates for the IOUs specific to electric vehicle (EV) drivers, with price signals that provide EV drivers with the incentive to charge at times of the day that are most beneficial to the grid and that lead to reduced greenhouse gas emissions.

Because the LCFS Smart Charging provision is for utility customers who will be charging an EV, we ask CARB to clarify that this provision means that the customer must be enrolled in an EV-specific TOU rate if offered by the load serving entity serving the residence, or another TOU rate if not offered.

Statewide Point of Purchase Rebate

The CPUC's decision (D.)14-12-083,¹ adopts a methodology for allocating revenue to plug-in electric vehicle (PEV) customers from the sale of LCFS credits by the electric and natural gas investor-owned utilities. In this decision, the electric IOUs are directed to allocate LCFS credit revenue to PEV customers by reducing the purchase cost of a PEV or by applying the revenue as a credit against the customer's electric utility bill annually.

The decision allows a one-time rebate to be provided to customers in an IOU's territory by noting, "A one-time rebate can achieve equitable distribution to all PEV drivers. Unlike a rate reduction that depends on PEV customers using PEV rates, a one-time rebate can be provided to every driver that buys or leases a PEV insofar as a utility successfully engages the PEV distributors in its service territory to help make customers aware of the rebate." In reaching this

¹ <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M143/K640/143640083.PDF>

conclusion, the decision cited CARB's LCFS Regulation § 95484(a)(6)(B)-(D) as authority, stating the electric utility is eligible to opt in as the regulated entity for their service territory to generate LCFS credits for residential customers. (D.14-12-083 at 37.)

In CARB's proposed second 15-day modifications, it appears that all language that could have been interpreted to limit the distribution of an IOU's LCFS credit revenue (or credits) to its own service territory has been eliminated. This includes § 95484(a)(6)(B)-(D), which does not appear in the proposed regulation. Further, the requirement for a utility to engage the public or PEV distributors in order to generate credits has been eliminated. We agree with striking all of this language if the intention is to move toward statewide distribution of the utility LCFS revenues.

To assist the CPUC in implementing a statewide POP rebate, CPUC asks the CARB to clarify that the modified LCFS regulation does not limit the distribution of an IOU's LCFS credit revenue (or credits) to customers in the IOU's own service territory. Since the foregoing decision cited the CARB regulation as requiring service-territory specific distribution, the CPUC requests clarity that elimination of the regulation means such distribution is no longer required. The CPUC requests that CARB make clear – if it is CARB's intent – IOUs are servicing the customers in their own territory by giving LCFS proceeds (or credits) to a statewide program administrator.

Conclusion

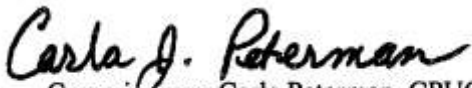
Finally, we want to clarify the CPUC's timeframe for implementing any new LCFS regulation. In the best case, IOUs will file updated advice letters with the CPUC's Energy Division. Given the nature of the program, we expect protests and responses from external parties and some additional questions from our Energy Division analysts. Resolution of advice letters can take 6 months or more. Also, depending on additional updates to the regulations, including whether or not the utilities will be the contract holders for the new statewide administrator of the POP program, the original proceeding may need to be reopened which will be a longer process.

Thank you for your attention to these issues and we look forward to continuing the very productive dialogue we have had to date. Please do not hesitate to contact Energy Division analyst Audrey Neuman (Audrey.Neuman@cpuc.ca.gov) with any additional questions.

Regards,



President Michael Picker, CPUC



Commissioner Carla Peterman, CPUC